



# California Postsecondary Education Commission

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## 2008-09 Postsecondary Education Budget Overview — Commission Testimony to Assembly Budget Subcommittee #2 on Education Finance, April 2, 2008

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Thank you Chair Brownley and members of the Committee for the opportunity to present to you this afternoon the California Postsecondary Education Commission's perspectives and recommendations on the Governor's proposed 2008–09 budget pertaining to higher education. I am Murray Haberman, Executive Director of the Commission. I am joined by Kevin Woolfork, our agency's Budget Policy Coordinator and Julia Blair, the Commission's Legislative Director.

I have been asked to provide you with an overview of the proposed higher education budget and I would like to refer you to two items that have been distributed to you for that purpose. First, is our initial summary of the 2008-09 budget, which reviews the January budget and your subsequent actions on it during the special session. The second document is the Commission's proposed recommendations and perspectives on key higher education budget issues; it contains the Commission's suggested policy guidelines that you might wish to consider in your budget deliberations. I am happy to discuss these two items with you, but I want to use my time before you today to focus on what the budget situation means for California college students.

The Commission has adopted four priority areas: student eligibility and preparation, higher education performance assessment, California's evolving workforce needs, and affordability and educational success.

**Student Preparation** – Significant divides exist between ethnic groups and other communities in access to – and success in – postsecondary education in California. The Commission is committed to working to identify and address the shortfalls in our educational structures to help prepare greater numbers of students from underserved communities for success in college and beyond.

**College and University Performance** – California will spend almost \$15 billion in public funds on higher education this year. To ensure students that they are receiving a quality education, and that their tax dollars are being spent wisely, the Commission has developed a performance assessment system for public higher education.

**Higher Education and the Workforce** – In order to remain competitive in the global market, California must improve linkages between the demand for a skilled workforce and degree and certificate production of our state's higher education system. CPEC is working to develop policy initiatives to improve the alignment of education with workforce preparation.

**Affordability** – The high cost of college attendance, accompanied by the decline in grant assistance to offset ever-increasing costs, has resulted in increased student borrowing and, thus, increased barriers to higher education success. The Commission has developed policy options for providing additional financial support for students and asks you to join us in addressing this critical issue that impacts the lives of so many Californians.

Today, I would like to focus on this latter issue of college affordability.

The proposed budget leaves higher education somewhat at a crossroads due to uncertainty at how proposed budget reductions will be implemented. Over the next few months, the Legislature and Governor must fashion a State spending plan that will allocate scarce resources among worthy and

competing government functions. Chair Brownley, members: you have an unenviable task before you.

One topic here is resident student fees – which will increase by hundreds of dollars per student at both the CSU and UC. I start out by saying that the Commission applauds the segments for using a portion of the new fees revenues to provide grant aid to needy students and completely offset the fee increase for the neediest. However, this will do little good for the many middle-income students who receive no grant aid and who finance their education through work, loans and family contributions. To these students, fee increases are a real challenge to their ability to start – and to continue – their education.

The true story of affordability is more complex than just student fee levels. It is the story of people with annual incomes as low as \$20,000 who are still expected to generate more than \$9,000 a year towards the average \$25,000 a year it costs a family for their child to attend a UC campus.

It is also the story of a family making \$80,000 that is expected to cover this entire cost. \$80,000 might sound like a lot of money. But try stretching it to cover an extra \$25,000 in costs each year and it's easy to see why the federal government invented Parent PLUS Loans to go with the existing federal student loan program. And, of course, such borrowing is in addition to these families taking out home equity loans, second mortgages, private loans, using credit cards, or receiving other extended family assistance. The family of \$20,000 that has to come up with \$9,000 may not have the financial experience to be comfortable taking on loan debts equal to nearly half their yearly income. We could say, "The student will get a job to earn money for college as part of their expected work contribution." But these families and students themselves have spelled it out for us rather bluntly: the fact that my family earns \$20,000, and I am 18 years old, means I already have an expected work contribution – to my family. Also, these students are most likely already employed and probably have been for some time.

So, while California has developed an enviable student financial aid system – one that allows people of lesser economic means to attend college than elsewhere – we know that this system is not a substitute for lower direct costs. To students, fee increases compete with increased transportation and living costs, increased costs for books and educational materials, a still very tight housing market in most university towns, and decreased employment opportunities in some job markets. This all adds up to real challenges for many students and insurmountable barriers for some.

The Commission recognizes that you can't change the housing or job markets in this budget process, nor can you suddenly alleviate rising transportation, health care, food, and other living costs. We do have some recommendations on these topics, and I'd be happy to speak more with you about these later. We ask you to keep the realities for students in mind as you make decisions on funding California higher education. College students represent the educational, economic and civic future of our state. They are our hope not only for getting out of short-term economic slowdowns, such as this, but for developing the bright, new ideas and implementing the innovative new strategies that will relieve pressures in other program areas of the budget in the decades ahead. Our students are worth the extra money.

Decisions the Legislature and Governor make on enrollments, operations funding, financial aid programs, student fees, and facilities funding will represent the tipping point for some students. The Commission asks you to put students first in this budget and help maintain California's bright hope for the future – its dynamic higher education enterprise.

Thank you once again for considering the Commission's views and please know that we look forward to working with you and your staff to help craft a budget for higher education that moves us towards one goal we can all agree on: providing educational opportunities that will enable lifelong growth and success for all Californians.